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EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2021 SECOND QUARTER FINANCIAL REVIEW

SECOND QUARTER RESULTS

Fiscal Year 2021's (FY21) second quarter saw a year-over-year increase in General Funds revenues due in part to borrowing from the Federal Reserve's Municipal Liquidity Facility. Second quarter expenditures increased by \$1,365 million compared to FY20 second quarter expenditures.

Detailed second quarter and year-to-date information is presented on the following pages.

SECOND QUARTER REPORT HIGHLIGHT: MUNICIPAL LIQUIDITY FACILITY

The Federal Reserve, in collaboration with the U.S. Treasury, has established the Municipal Liquidity Facility (MLF) to help state and local governments better manage the fiscal impact brought on by the COVID-19 pandemic. The MLF is authorized to purchase up to \$500 billion in short term notes directly from states and counties with large populations and utilizes funding appropriated by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Illinois has borrowed from the MLF two separate times; in June 2020 for \$1.2 billion and in December 2020 for \$2 billion. Repayment of the first borrowing is due during fiscal year 2021, while the second borrowing is due to be repaid during fiscal year 2022 – 2024.

ILLINOIS ECONOMIC INDICATORS

Illinois, along with the rest of the country, continues to fight through the economic recession caused by COVID-19. The state's unemployment rate, which reached a historical high of 16.8% in April 2020, had declined to 7.5% by December. Although the unemployment rate is much lower than the April high, it is still nearly twice the pre-pandemic amount. Nonfarm employment and labor force participation rates have largely tracked with the unemployment rate, but warning signs towards stagnation are becoming clear. Summer and early fall job growth stalled out during the holiday season as increases in coronavirus cases began to accumulate.

Consumer activity has largely rebounded to pre-pandemic levels in spite of the continued public health issues as businesses have worked to adapt around the needs of the consumer. Online ordering and curbside pickup are becoming more common, while durable good consumption has replaced some expenditures on leisure and hospitality services.

Historically low interest rates and moderate household savings have been a large boon to the residential real-estate market. Buyers have moved to capture limited housing stock, resulting in a substantial growth in the median housing price which has suffered from stagnation.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW				
Second Quarter and Year-to-Date Review				
(\$ in millions)				
	Second Quarter		Year-to-date	
	FY20 Actual	FY21 Actual	FY20 Actual	FY21 Actual
Beginning Backlog at Comptroller	\$ (5,064)	\$ (5,604)	\$ (5,161)	\$ (4,856)
Beginning Cash Balance	\$ 847	\$ 862	\$ 466	\$ 531
Revenues				
Individual Income Tax	\$ 4,124	\$ 4,273	\$ 8,385	\$ 9,741
Corporate Income Tax	565	588	1,133	1,458
Sales Tax	2,272	2,360	4,508	4,606
Other Sources/Transfers In	1,283	878	3,237	2,228
State Source Revenues	\$ 8,244	\$ 8,099	\$ 17,263	\$ 18,033
Federal Sources	521	2,196	1,384	2,983
Interfund Borrowing	150	0	150	0
Short Term Borrowing	0	1,998	0	1,998
Investment Borrowing	0	400	400	400
Total Revenues	\$ 8,915	\$ 12,693	\$ 19,198	\$ 23,414
Expenditures				
Current Year Vouchers	\$ 9,551	\$ 10,916	\$ 17,287	\$ 19,302
Prior Year Vouchers	111	66	1,335	1,545
Subtotal, Vouchers Presented	\$ 9,662	\$ 10,982	\$ 18,622	\$ 20,847
Posted Transfers Out	87	51	309	292
Transfer to GO Bond Debt Service Fund	373	390	997	1,017
Transfer to Repay Interfund Borrowing	0	0	0	12
Investment Borrowing Repayments	0	0	0	402
Short Term Borrowing Repayments	0	360	0	360
Prior Year Adjustments	(5)	(7)	(7)	(16)
Total Expenditures	\$ 10,117	\$ 11,777	\$ 19,922	\$ 22,915
End of Quarter Cash Balance	\$ 396	\$ 722	\$ 396	\$ 722
End of Quarter Backlog at Comptroller	\$ (5,815)	\$ (4,547)	\$ (5,815)	\$ (4,547)

Source: Illinois Office of the Comptroller

Note: Backlog figures do not include bills held at agencies. For information on bills held at agencies please refer to the Backlog Report at budget.illinois.gov or the Office of the Comptroller's Debt Transparency Report.

GENERAL FUNDS CASH FLOW		
Comparison: Projected versus Actual		
(\$ in millions)		
	Second Quarter	
	Projected	Actual
Cash Balance, Beginning	\$ 400	\$ 862
Receipts*	\$ 8,594	\$ 10,695
IIT	3,799	4,273
CIT	385	588
Sales	2,080	2,360
Other Sources	759	574
Transfers In	408	305
Interfund Borrowing	50	-
Investment Borrowing	-	400
Federal Sources	1,113	2,196
Certificate Proceeds	-	1,998
Cash Expenditures	(8,594)	(12,473)
Short-Term Borrowing Repayment	-	(360)
Cash Balance, Ending	\$ 400	\$ 722

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES								
Second Quarter and Year-to-Date Review								
(\$ in millions)								
	Second Quarter		Change: FY20 Actual to FY21 Actual		Year-to-Date		Change: FY20 Actual to FY21 Actual	
	FY20 Actual	FY21 Actual	Dollar Change	Percent Change	FY20 Actual	FY21 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 4,836	\$ 4,997	\$ 161	3.3%	\$ 9,832	\$ 11,392	\$ 1,560	15.9%
Income Tax Refund Fund	(460)	(450)	10	(2.2%)	(935)	(1,026)	(91)	9.7%
Local Government Distributive Fund Deposit	(252)	(276)	(24)	9.4%	(512)	(629)	(117)	22.8%
Net Individual Income Tax	\$ 4,124	\$ 4,272	\$ 148	3.6%	\$ 8,385	\$ 9,740	\$ 1,355	16.2%
Gross Corporate Income	\$ 705	\$ 734	\$ 29	4.2%	\$ 1,414	\$ 1,821	\$ 407	28.8%
Income Tax Refund Fund	(101)	(103)	(2)	2.3%	(202)	(255)	(53)	26.4%
Local Government Distributive Fund Deposit	(39)	(43)	(4)	11.2%	(79)	(107)	(28)	35.9%
Net Corporate Income Tax	\$ 565	\$ 588	\$ 23	4.0%	\$ 1,133	\$ 1,459	\$ 326	28.7%
Gross Sales Tax	\$ 2,372	\$ 2,437	\$ 65	2.7%	\$ 4,663	\$ 4,733	\$ 70	1.5%
Downstate Public Trans/Public Trans Deposits	(100)	(77)	23	(22.8%)	(155)	(126)	29	(18.6%)
Net Sales Tax	2,272	2,360	88	3.9%	4,508	4,607	99	2.2%
Public Utility	218	179	(39)	(17.9%)	406	353	(53)	(13.1%)
Cigarette	71	71	0	0.0%	133	150	17	12.8%
Inheritance	73	75	2	2.7%	137	211	74	54.0%
Liquor	45	45	0	0.0%	93	92	(1)	(1.1%)
Insurance	83	68	(15)	(18.1%)	183	252	69	37.7%
Corporate Franchise	70	72	2	2.9%	132	158	26	19.7%
Investment Income	39	13	(26)	(66.7%)	88	41	(47)	(53.4%)
Cook County IGT	56	0	(56)	(100.0%)	56	0	(56)	(100.0%)
Other	275	51	(224)	(81.5%)	368	121	(247)	(67.1%)
TOTAL STATE REVENUES	\$ 7,890	\$ 7,793	\$ (97)	(1.2%)	\$ 15,623	\$ 17,184	\$ 1,561	10.0%
Federal Revenues	\$ 521	\$ 2,196	\$ 1,675	321.5%	\$ 1,384	\$ 2,983	\$ 1,599	115.5%
Transfers In	\$ 502	\$ 305	\$ (197)	(39.2%)	\$ 1,790	\$ 849	\$ (941)	(52.6%)
Lottery	151	196	45	29.8%	279	361	82	29.4%
Riverboat Gaming	87	0	(87)	(100.0%)	162	0	(162)	(100.0%)
Adult-Use Cannabis	0	11	11	100.0%	0	24	24	100.0%
Interfund Borrowing	150	0	(150)	(100.0%)	150	0	(150)	(100.0%)
Other	114	98	(16)	(14.0%)	1,199	464	(735)	(61.3%)
SUBTOTAL REVENUES	\$ 8,913	\$ 10,294	\$ 1,381	15.5%	\$ 18,797	\$ 21,016	\$ 2,219	11.8%
Investment Borrowing	0	400	400	0.0%	400	400	0	0.0%
Short Term Borrowing	0	1,998	1,998	100.0%	0	1,998	1,998	100.0%
TOTAL REVENUES	\$ 8,915	\$ 12,693	\$ 3,778	42.4%	\$ 19,198	\$ 23,414	\$ 4,216	22.0%

Source: Illinois Office of the Comptroller

Income Taxes: FY21 year-to-date (YTD) Individual Income Tax net receipts increased by \$1,355 million, or 16.2% from the FY20 YTD level due to the extension of the tax filing date from April 2020 to July 2020. FY21 YTD Corporate Income Tax (CIT) net receipts increased by \$326 million, or 28.7%, from the FY20 level, also impacted by the filing date delay. \$736 million of income taxes were directly deposited into the Local Government Distributive Fund through the second quarter of FY21.

Sales Taxes: FY21 YTD Sales Tax net receipts increased by \$99 million, or 2.2%, from the FY20 YTD level.

Public Utilities: FY21 YTD Public Utility receipts decreased by \$53 million, or 13.1%, from the FY20 YTD level.

Cigarette: FY21 YTD Cigarette receipts increased by \$17 million, or 12.8% to the FY20 YTD level.

Federal Revenues: FY21 YTD Federal Revenues increased by \$1,599 million, or 115.5%, compared to the FY20 YTD level due to federal matches on reimbursable spending.

Transfers In: FY21 YTD Transfers In decreased by \$941 million, or 52.6%, compared to the FY20 YTD level. This decrease is primarily attributable to a \$616 million deposit from the Income Tax Refund Fund in FY20, that fell to \$281 million in FY21. The Income Tax Refund Fund receives a percentage of individual and corporate income tax collections and puts them aside for refunds. Excess balances are transferred into the General Revenue Fund several months after the tax filing deadline has passed.

GENERAL FUNDS REVENUES BUDGETED VERSUS ACTUALS SUMMARY

The table below sets forth General Funds year-to-date budgeted revenues versus year-to-date actual revenues for FY21. Total State Revenues (not including Transfers In) were \$827 million, or 5.1%, above the revised November 2020 budgeted level. Federal revenues were \$1,084 million, or 57.1%, above the November 2020 budgeted level, but largely reflect a timing shift of revenues forward as the MLF borrowing was directed to Medicaid bills.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
(\$ in millions)				
	FY21 YTD Budgeted*	FY21 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 10,841	\$ 11,392	\$ 551	5.1%
Income Tax Refund Fund	(976)	(1,026)	(50)	5.1%
Local Government Distributive Fund Deposit	(598)	(629)	(31)	5.1%
Net Individual Income Tax	\$ 9,267	\$ 9,740	\$ 473	5.1%
Gross Corporate Income	\$ 1,566	\$ 1,821	\$ 255	16.3%
Income Tax Refund Fund	(219)	(255)	(36)	16.6%
Local Government Distributive Fund Deposit	(92)	(107)	(15)	16.7%
Net Corporate Income Tax	\$ 1,255	\$ 1,459	\$ 204	16.2%
Gross Sales Tax	\$ 4,474	\$ 4,733	\$ 259	5.8%
Downstate Public Trans/Public Trans Deposits	(148)	(126)	22	(14.7%)
Net Sales Tax	\$ 4,326	\$ 4,607	\$ 281	6.5%
Public Utility	397	353	(44)	(11.1%)
Cigarette	141	150	9	6.4%
Inheritance	200	211	11	5.5%
Liquor	91	92	1	1.1%
Insurance	284	252	(32)	(11.3%)
Corporate Franchise	141	158	17	12.1%
Investment Income	70	41	(29)	(41.4%)
Cook County IGT	0	0	0	0.0%
Other	183	121	(62)	(33.9%)
TOTAL STATE REVENUES	\$ 16,356	\$ 17,183	\$ 827	5.1%
Federal Revenues	\$ 1,899	\$ 2,983	\$ 1,084	57.1%
Transfers In	\$ 952	\$ 849	\$ (103)	(10.8%)
Lottery	329	361	32	9.7%
Gaming/Gaming Taxes	0	0	0	0.0%
Adult-Use Cannabis	23	24	1	4.3%
Fund Reallocations	0	0	0	0.0%
Interfund Borrowing	0	0	0	0.0%
Other	600	464	(136)	(22.7%)
SUBTOTAL REVENUES	\$ 19,207	\$ 21,015	\$ 1,808	9.4%
Investment Borrowing	0	400	400	0.0%
Short Term Borrowing	0	1,998	1,998	0.0%
TOTAL REVENUES	\$ 19,207	\$ 23,414	\$ 4,207	21.9%

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Budgeted figures are based on historical averages as well as information from the Department of Revenue on timing of income tax deposits. Estimates were compiled in November 2020.

Income Taxes: Individual Income Tax net receipts through the second quarter were \$473 million, or 5.1%, higher than budgeted levels. Corporate Income Tax net receipts through the second quarter were \$204 million, or 16.2%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the second quarter were \$281 million, or 6.5%, higher than the budgeted levels.

Public Utilities: Public Utility receipts through the second quarter were \$44 million, or 11.1%, lower than budgeted levels.

Transfers In: Transfers In through the second quarter were \$103 million, or 10.8%, lower than budgeted levels.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY20 and FY21 second quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the second quarter of FY21 totaled \$10,916 million, an increase of \$1,365 million, or 14.3%, from the FY20 level.

GENERAL FUNDS EXPENDITURES				
Second Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Second Quarter		Year-to-Date	
	FY20 Actual Spending	FY21 Actual Spending	FY20 Actual Spending	FY21 Actual Spending
Constitutional Officers ¹	\$ 89	\$ 83	\$ 164	\$ 163
DHFS	1,340	2,121	2,324	3,529
ISBE	2,548	2,427	3,984	3,992
DHS	1,002	1,073	1,588	1,935
Higher Education	779	714	1,357	1,306
SERS	521	460	897	842
TRS	1,298	1,404	2,473	2,639
SURS	334	391	790	882
Corrections	383	409	660	652
CMS	444	919	1,456	1,607
DCFS	218	261	417	480
Aging	214	267	355	413
ISP	72	67	119	129
Revenue	10	12	19	21
DPH	32	30	73	50
DNR	10	10	18	20
DCEO	3	3	4	5
All Others	251	264	588	636
Agency Totals	\$ 9,551	\$ 10,916	\$ 17,287	\$ 19,302

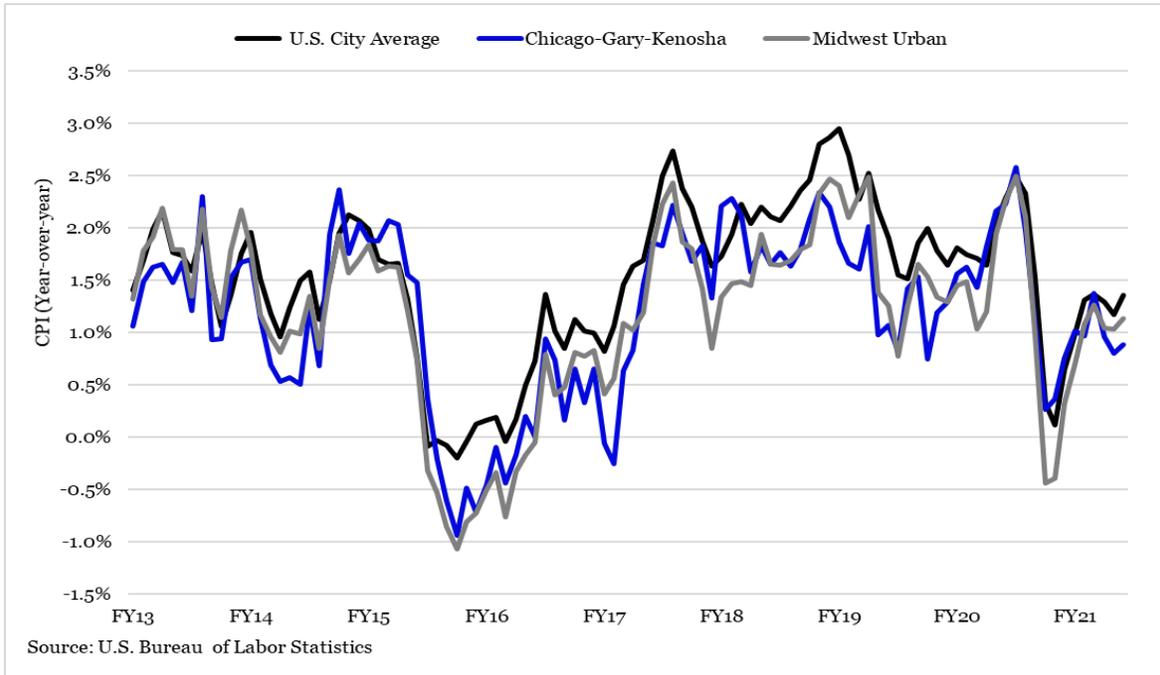
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

Note: Lapse period spending is not included in this table.

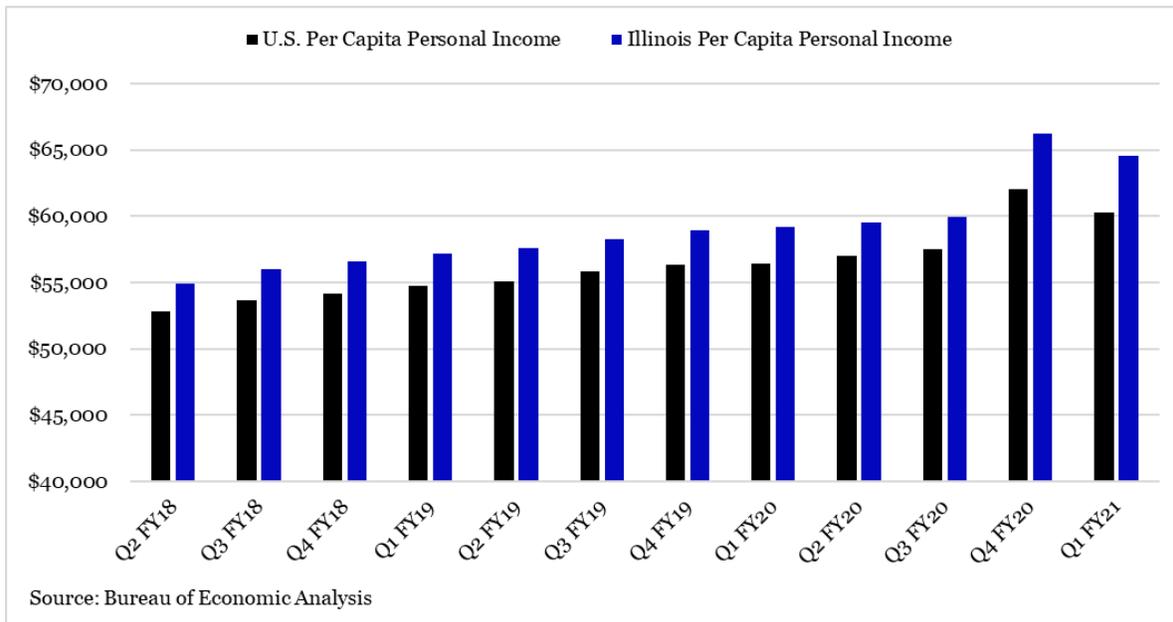
¹ Constitutional Officers exclude Auditor General.

KEY ECONOMIC INDICATORS

The graph below shows the year-over-year increase in the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area, and Midwest from July FY13 to December FY21. In December FY21, the CPI for U.S. city average increased 1.4% year-over-year. The CPI for Chicago metropolitan area increased 0.9% and the CPI for Midwest region increased 1.1%.



The graph below compares the per capita personal income between U.S. and Illinois from the second quarter of FY18 to the first quarter of FY21. The U.S. per capita personal income decreased \$1,727 or 2.8% from \$62,011 in the fourth quarter of FY20 to \$60,284 in the first quarter of FY21. Year-over-year, U.S. per capita personal income increased \$3,874 or 6.9%. In Illinois, per capita personal income decreased by \$1,644 or 2.5% from \$66,224 in the fourth quarter of FY20 to \$64,580 in the first quarter of FY21. Year-over-year, Illinois per capita personal income increased \$5,413 or 9.1%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in December of FY21 was 7.5%, up from 3.5% during the same period last fiscal year. Illinois' unemployment rate of 6.7% in December of FY21 reflected an increase of 3.1% from the state's unemployment rate of 3.6% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois decreased by 419,100 year-over-year in December, led by decreases in Leisure and Hospitality.

EMPLOYMENT HIGHLIGHTS			
State and National Review			
EMPLOYMENT STATISTICS	<u>October FY20</u>	<u>October FY21</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,116,300	5,712,600	(403,700)
Unemployment Rate, Illinois	3.4%	7.2%	3.8
Unemployment Rate, United States	3.6%	6.9%	3.3
Labor Force Participation Rate, Illinois	64.4%	63.2%	(1.2)
Labor Force Participation Rate, United States	63.2%	61.6%	(1.6)
EMPLOYMENT STATISTICS	<u>November FY20</u>	<u>November FY21</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,105,200	5,696,400	(408,800)
Unemployment Rate, Illinois	3.5%	6.5%	3.0
Unemployment Rate, United States	3.6%	6.7%	3.1
Labor Force Participation Rate, Illinois	64.2%	61.9%	(2.3)
Labor Force Participation Rate, United States	63.2%	61.5%	(1.7)
EMPLOYMENT STATISTICS	<u>December FY20</u>	<u>December FY21</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,150,100	5,731,000	(419,100)
Unemployment Rate, Illinois	3.5%	7.5%	4.0
Unemployment Rate, United States	3.6%	6.7%	3.1
Labor Force Participation Rate, Illinois	63.8%	61.5%	(2.3)
Labor Force Participation Rate, United States	63.3%	61.5%	(1.8)

Source: Illinois Department of Employment Security and United States Department of Labor.

ILLINOIS REAL ESTATE

The Illinois housing market ended calendar year 2020 with a strong December with increases in home sales and higher median prices. The time it took to sell a home in December averaged 42 days, down from 57 days last year. Available inventory totaled 28,982 homes for sale, a 38.8 percent decline from 47,332 homes in December 2019.